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INTERSERVICE AVAILABILTY OF MULTISERVICE USED ITEMS

Report No. 99-159

May 14, 1999

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### **Acronyms**

DLA	Defense Logistics Agency
DRMS	Defense Reutilization and Marketing Service
DRMO	Defense Reutilization and Marketing Office
JLC	Joint Logistics Commanders
JTAV	Joint Total Asset Visibility
NIMMC	Nonconsumable Integrated Materiel Management Committee
PICA	Primary Inventory Control Activity
SICA	Secondary Inventory Control Activity



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

May 14, 1999

MEMORANDUM FOR COMMANDANT, MARINE CORPS  
DEPUTY UNDER SECRETARY OF DEFENSE  
(LOGISTICS)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Interservice Availability of Multiservice Used Items  
(Report No. 99-159)

We are providing this report for review and comment. The audit was requested by the Joint Logistics Commanders. This joint audit was coordinated by the Joint Logistics Audit Planning Group and conducted by team members from the Inspector General, DoD, and the Army, Navy, and Air Force audit organizations. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. As a result of comments from the Joint Logistics Commanders Joint Secretariat, we redirected Recommendation 3. to the Services and the Defense Logistics Agency. We request that the Deputy Under Secretary of Defense (Logistics), provide additional comments on Recommendations 1.a.(2) and the potential monetary benefits related to Recommendation 1.b. We also request that the Services and the Defense Logistics Agency provide comments on Recommendation 3. Comments should be provided by July 13, 1999.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. James L. Sommer, Air Force Audit Agency, or Mr. Steve C. Houlette, Air Force Audit Agency, at (937) 257-5429, email <sommerj@afaams.wpafb.af.mil or houlettes@afaams.wpafb.af.mil>. See Appendix E for the report distribution. The audit team members are listed inside the back cover

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 99-159  
(Project No. 8LH-5016)

May 14, 1999

### Interservice Availability of Multiservice Used Items

#### Executive Summary

**Introduction.** A recent Inspector General, DoD, review<sup>1</sup> identified approximately \$0.5 million of inventory unused in one Service that could have been transferred to other using Services to reduce planned procurements. Because of the concern that Services may hold or dispose of excess inventory that other Services could potentially use, the Joint Logistics Commanders requested that the Joint Logistics Audit Planning Group review this issue to determine the extent of the problem and to recommend corrective actions. As of March 31, 1998, approximately 5,700 items were coded as inconsistently managed<sup>2</sup>.

**Objectives.** The overall audit objective was to evaluate how effectively Service item managers coordinated multiservice item disposal and transfer. Specifically, we evaluated procedures and controls that the Services used over inconsistently managed assets and how well they coordinated asset transfer to other Services or disposal to the Defense Reutilization and Marketing Service. We judgmentally sampled 80 of 50,302 disposal transactions for items considered to be consistently managed and 105 of the 5,700 items coded as inconsistently managed. We also reviewed the management control program as it related to the overall objective.

**Results.** Although 117 (64 percent<sup>3</sup>) of the 185 items reviewed were properly managed, improvements were needed over multiservice asset management. As a result, for 68 of 185 items (valued at \$21 million) reviewed in two judgmental samples, Service personnel inappropriately disposed of \$3.5 million of assets without proper authorization, retained \$1.5 million of excess assets that could have been used by another Service, managed items inconsistently when it was uneconomical to do so, and spent \$5.2 million replacing disposed items that could have been repaired. During the audit, management took actions to reduce planned procurements and repairs by \$0.3 million. However, the Services could better use \$10.8 million for procurements over the FY 2000 through FY 2005 Future Years Defense Plan by repairing rather than disposing of assets. For details of audit results, see Finding section of the report.

The management controls could be improved because we identified a material weakness in the asset disposal process. See Appendix A for details on the management control program.

**Summary of Recommendations.** We recommend that the Nonconsumable Integrated Materiel Management Committee revise and enforce disposal procedures, revise guidance to require consistent item management where economical and safe, and provide management oversight to ensure the use of the correct management approach. We

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<sup>1</sup> Audit Report No. 98-155, "Depot Source of Repair Code," June 15, 1998

<sup>2</sup> Assets managed as consumable in one Service and repairable in another.

<sup>3</sup> Sample percentages may not represent universe.

recommend that the Deputy Under Secretary of Defense (Logistics) task the Services to provide training for item managers emphasizing that the primary inventory control activity has sole wholesale disposal authority. In addition, the Services should train item managers to communicate excess asset positions to the primary item manager regardless of whether retention or disposal of assets is planned. We recommend that the Director, Defense Logistics Agency and the Services train item managers on the total asset visibility tools that are available.

**Management Comments.** The Acting Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management) and the Defense Logistics Agency concurred or partially concurred with all recommendations. The Acting Assistant Deputy Under Secretary stated that the Defense Reutilization and Marketing Service Front End Screening disposal procedure is already being utilized systemically. The Acting Assistant Deputy Under Secretary also stated that the draft update of the Joint Service Regulation identifies items that should be or should not be considered for Phase II management and to whom unresolved issues should be referred. Further, the Acting Assistant Deputy Under Secretary stated that the Chairperson of the Nonconsumable Integrated Materiel Management Committee monitors items, including inconsistently managed items, by nonconsumable item materiel support codes. The Chairperson would also request members of the Committee to train item managers on effective disposal procedures, communicating excess assets, and joint total asset visibility tools. The Joint Logistics Commanders Joint Secretariat nonconcurred with the recommendation that the Joint Logistics Commanders direct the Defense Logistics Agency and the Services to train item managers on joint total asset visibility tools. The Secretariat stated that the Joint Total Asset Visibility Program Management Office had implemented a training plan for item managers; however, training item managers is the prerogative of the Services or agency. A discussion of management comments is in the Finding section of the report and the complete text is in the Management Comments section.

**Audit Response.** Comments from the Acting Assistant Deputy Under Secretary were generally responsive. However, we noted in the draft report that item managers did not receive or did not use the Defense Reutilization and Marketing Service Front End Screening report and we believe added directions to the Services are needed. Additionally, the Acting Assistant Deputy Under Secretary did not provide comments on potential monetary benefits. As a result of comments from the Joint Logistics Commanders Joint Secretariat, we redirected the recommendation for the Defense Logistics Agency and the Services to train item managers on joint total asset visibility: We request that the Deputy Under Secretary of Defense (Logistics), the Services, and the Defense Logistics Agency provide additional comments on the final report by July 13, 1999.

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## Background

This report discusses how effectively Service item managers coordinated multiservice disposal and transfer of nonconsumable items (reparable items that are not consumed in use and are economically repairable). The nonconsumable items comprise both major end items and depot repairable components. The Joint Logistics Commanders (JLC) requested this audit because of their concerns that the Services may not always effectively coordinate asset disposals and transfers, resulting in disposing of or holding assets that other Services could use. The disposals and transfers could lead to inefficient resource use when Services unnecessarily purchase assets disposed of or held by other Services.

In 1973, the JLC established the Joint Policy Coordinating Group on Defense Integrated Materiel Management and Depot Maintenance Interservicing to eliminate duplicate wholesale management functions (budgeting, cataloging, disposal, maintenance, procurement, requirements computation, and wholesale stockage) for nonconsumable items used by more than one Service. In 1974, the Deputy Secretary of Defense directed the Services to start the consolidated management process, and the JLC in turn directed the Services to develop a two-phased program.

Phase I was to identify all nonconsumable items used by two or more Services and to assign each item a single manager. Materiel management responsibility was to be weighed heavily in favor of the Services having the most significant technical and depot maintenance capability supporting the item.

Phase II was to consolidate under the single manager the wholesale logistics functions of asset accountability, depot maintenance, disposal, overhaul requirements computation, and replacement. Specifically, Phase II included assigning each item to a primary inventory control activity (PICA), with all other users becoming secondary inventory control activities (SICAs) for that item. PICAs compute requirements, purchase assets, and repair unserviceable items for SICAs. SICAs send PICAs future requisition requirements or the quantity of unserviceable items expected to be returned to the PICAs for repair. SICAs must obtain PICA authorization for asset disposal. Sometimes the Services manage items inconsistently (that is, one Service may manage an item as a consumable and discard it while another Service may manage the same item as a repairable and repair it).

On December 15, 1994, the Deputy Under Secretary of Defense (Logistics) established the Nonconsumable Integrated Materiel Management Committee (NIMMC) to develop policy, uniform guidance, and procedures for improving nonconsumable item materiel management. The NIMMC objective is to eliminate unnecessary duplication in the materiel management and logistics



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support of all nonconsumable items. The NIMMC, chaired by the Deputy Under Secretary of Defense (Logistics), includes representatives from the Services, the Defense Logistics Agency (DLA), and the Joint Depot Maintenance Advisory Group.

DoD Regulation 4140.1-R, "Materiel Management Regulation," January 1993, provides policies and procedures for determining whether assets are excess and disposable. In accordance with DoD Regulation 4140.1-R, the Services and DLA identify excess materiel. The Services send excess assets to Defense Reutilization and Marketing Offices (DRMOs). The Defense Reutilization and Marketing Service (DRMS), DLA, has area DRMOs responsible for receipt and disposal of excess material. DRMO personnel examine the items for acquisition value, condition, quantity, and special handling requirements, such as those that are militarily sensitive. DRMOs publicize the availability of excess items for use within DoD or transfer the items to other Federal agencies. After Federal agencies decline items, the items are designated surplus and may be donated to eligible entities, such as state and local governments. As a last step, any remaining inventory may be sold to the general public. In FY 1997, DRMS disposed of consumable and reparable items and equipment with an acquisition value of about \$22 billion.

A major DoD goal is to implement joint total asset visibility (JTAV) within the service stock control systems. JTAV refers to a combination of systems enhancements and business rules that allow managers to gather information about the condition, location, and quantity of assets anywhere in the supply system and to use that information to fill customer orders through wholesale JTAV lateral redistribution (that is, asset movement between installations) without initiating new purchases. JTAV capability for wholesale reparable items will provide improved customer support, and reduce administrative cost, inventory, and procurement lead times. DoD Components will need to modify their logistics cultures from "unit ownership" to "unit ownership with national visibility and access."

DoD Components are pursuing several new JTAV information systems and initiatives at the wholesale supply level.

**Logistics Asset Support Estimate** gives users the capability to query the status of DLA wholesale assets using military standard transaction reporting and accounting procedures.

**Army Total Asset Visibility** provides visibility of Army wholesale assets.

**PICA-SICA Redistribution** is an initiative aimed at sharing wholesale and retail asset information between PICAs and SICAs.

**Interrogation Requirements Information System** provides visibility of DRMS assets.

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**Logistics Information Network** provides a query capability with an electronic, mail-based response to provide visibility of DLA, Service, General Services Administration, and DRMS assets.

**Personal Computer Logistics Information Network** is a Microsoft/Windows-based software package designed and developed by the Defense Automatic Addressing System Center and the Defense Logistics Services Center. It provides access to many logistics databases from just one on-line interface to check stock status, including excesses.

## **Objectives**

The overall audit objective was to evaluate how effectively Service item managers coordinated multiservice asset disposal and transfer. Specifically, we evaluated procedures and controls that the Services used over inconsistently managed assets and how well they coordinated asset transfer to other Services or disposal to DRMS. We also reviewed the management control program as it related to the overall objective. See Appendix A for a discussion of the scope, methodology, and the management control program. Appendix B provides a summary of prior coverage.

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## Multiservice Asset Management

Although 117 (64 percent<sup>1</sup>) of the 185 items we reviewed were properly managed, improvements were needed over multiservice asset management. Improvements were needed because:

- there was a lack of communication between the Services regarding the management of commonly used assets,
- existing controls were ineffective, and
- training, guidance, and management oversight deficiencies existed.

As a result, for 68 of 185 items (valued at \$21 million) reviewed in two judgmental samples, Service personnel inappropriately disposed of \$3.5 million of assets without proper authorization, retained \$1.5 million of excess assets that could have been used by another Service, managed items inconsistently when it was uneconomical to do so, and spent \$5.2 million replacing disposed items that could have been repaired. During the audit, management took actions to reduce planned procurements and repairs by \$0.3 million. However, the Services could better use \$10.8 million for procurements over the FY 2000 through FY 2005 Future Years Defense Plan by repairing rather than disposing of assets.

## Policies and Procedures for Multiservice Used Items

Policies and procedures are provided in DoD Regulation 4140.1-R, and the joint Service regulation, "Wholesale Inventory Management and Logistics Support of Multiservice Used Nonconsumable Items<sup>2</sup>," April 27, 1990. DoD 4140.1-R states that repair is the preferred source of supply for reparable items. However, the Joint Service Regulation allows items to be both consumable and reparable simultaneously. It requires the SICA to obtain PICA authorization before disposing of excess assets. The third policy document is DRMS Instruction 4160.14, "Instructions for Property Accounting for Defense Reutilization and Marketing Service and the Defense Reutilization and Marketing Offices," July 28, 1998 (no significant change from guidance dated June 1996). It explains that the Front End Screening Report notifies an item manager of the condition code and quantities of assets located at a DRMO and available for reutilization.

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<sup>1</sup> Sample percentages may not represent universe

<sup>2</sup> Army Materiel Command Regulation 700-99, Naval Supply Systems Command Instruction 4790.7, Air Force Materiel Command Regulation 400-21, and U.S. Marine Corps Order P4410.22C

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## Disposal Coordination

For multiservice managed assets, Service item managers did not effectively coordinate disposals to DRMS. Between January 1997 and March 1998, the Services disposed of over \$1 billion of reparable inventory, including \$286 million of serviceable (that is, assets ready for use) assets. We judgmentally sampled 80 disposal transactions (assets valued at \$10 million) from the \$1 billion reparable inventory and determined that without PICA authorization, SICA personnel inappropriately disposed of 31<sup>3</sup> (39 percent, valued at \$3.5 million) of the 80 selected items, resulting in missing assets (\$0.2 million) and unnecessary purchases and repairs (\$0.2 million). In addition to the SICA disposals, PICA item managers erroneously disposed of 5 assets from the sample of 80 that other users needed. The inappropriate and erroneous disposals occurred because item managers did not communicate effectively with each other and either did not receive or did not use the DRMS Front End Screening Report.

**Item Manager Communication.** For 31 disposal actions, Service item managers did not communicate effectively with each other. For example, a Navy SICA item manager disposed of 10 serviceable radio frequency submitters (valued at \$107,500) in January 1997, which we were unable to locate during the audit or determine the disposition of. The Navy SICA disposed of the radio transmitters, but did not obtain Army PICA item manager authorization. The PICA item manager stated that the transmitters were part of a friend-or-foe identification system and was on the warstopper list identifying items required during the early stages of a conflict. The PICA item manager stated that he would not have authorized the disposal, if asked. It appeared that the Service item managers had neither the time nor incentive to communicate to other Service item managers and were not using the disposal controls available to them.

**Disposal Control.** For 31 disposal actions, Service item managers either did not receive or did not use the DRMS Front End Screening Report. DRMS generated and distributed the report to PICAs and SICAs within 24 hours of DRMO receipt of excess assets into inventory. Whether a particular item manager received the report and chose not to use it is not certain. However, inappropriate disposal actions occurred. For example, an Army SICA disposed of four serviceable oil pumps (valued at \$21,328) in October 1997, but did not obtain authorization from the Air Force PICA. The December 1997 screening report<sup>4</sup> distributed to the PICA item manager listed the oil pumps, yet the assets remained at the DRMO until a contractor purchased them in March 1998. While the assets remained available in storage, the Air Force could have used them to offset budgeted buy and repair requirements.

## Asset Transfers

Service item managers retained excess multiservice managed assets when coordinated asset transfers should have occurred. In April, May, and June 1998,

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<sup>3</sup> Army-19, Navy-11, and Marine Corps-1

<sup>4</sup> The 2-month period from October through December reflects the time the disposed items remained in DRMO storage before receiving personnel recorded the assets into inventory.

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without the knowledge of PICA item managers, SICA item managers retained excess assets for 15 (14 percent, valued at \$1.5 million) of 105 judgmentally selected items. See Appendix C for sample selection criteria. The Navy retained excess assets for 14 items that the Air Force needed, and the Marine Corps retained excess assets for 1 item that the Army needed. Because the holding Services did not inform other potential users or the PICA manager about the excess assets in inventory and the Service item managers did not use existing total asset visibility software tools, the users unnecessarily spent \$0.5 million buying and repairing needed assets. For example, a Navy item manager possessed \$0.3 million of excess bell crank supports, in serviceable condition, that the Air Force could have used. The Air Force item manager stated that total asset visibility software and training would have enhanced his awareness of such available assets, but he was unaware the tools existed and had not been trained in their use. Of the 338 Service item managers interviewed at 12 locations, 308 stated that they did not have visibility over other Services' inventory because they were unaware of the capability. Furthermore, 331 Service item managers stated that they had not received training on total asset visibility tools that were available. Awareness of asset visibility capability and training is needed to make JTAV viable.

## **Inconsistently Managed Items**

The Services did not periodically reevaluate the economic feasibility of the asset management approach for multiservice managed assets. Item managers determined whether an item was managed as a consumable or reparable item within a given Service when the item was initially cataloged or placed in the DoD supply system. As items matured, that is, as recurring item costs, usage rates, and technological improvements were made, it was prudent to periodically reevaluate the initial asset management approach. That was especially true for items inconsistently managed among the Services.

From our judgmental sample of 105 items, PICA and SICA item managers managed 17 (16 percent) items as consumable at the same time that another Service managed the items as reparable, when it was uneconomical to do so. The 17 items were more economical to repair than consume. The Services spent \$5.2 million replacing those disposed items from January 1997 through March 1998 when items could have been repaired. For the Services, the Army and Marine Corps shared five items inconsistently; the Army, Navy, and Marine Corps shared one item inconsistently; the Army, Navy, and Air Force shared one item inconsistently; the Army, Navy, Air Force, and Marine Corps shared one item inconsistently; and the Navy and Air Force shared nine items inconsistently. Appendix D identifies the 17 items and the varying management approach.

For the 17 selected items, the Services could have saved \$1.8 million annually (prospective purchases less the cost of repairs) in procurement costs by adopting a consistent management approach allowing Services with repair capability to repair items other Services designated as consumable and discard rather than repair them. The inconsistent management occurred because of conflicting guidance. DoD Regulation 4140.1-R states that repair is the preferred source of supply for

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reparable items, while another regulation<sup>5</sup> allows items to be both consumable and reparable simultaneously. Also, Deputy Under Secretary of Defense (Logistics) personnel did not regularly monitor phase I assets for migration to consistent management. For example, the Army PICA for night vision image tube intensifiers directed all Services to manage the items as consumable. However, the Marine Corps possessed a repair capability that could save it \$0.9 million annually in procurement costs. On August 3, 1998, citing safety concerns, the Army denied the Marine Corps waiver request to repair its own image tube intensifiers. Marine Corps managers stated that they did not share the Army's concerns and believed the intensifiers to be economical and safe to repair.

## **Summary**

Improvements were needed over the management of multiservice used items. Service item managers did not effectively coordinate disposals to DRMS or coordinate transfers among the Services. Furthermore, they did not determine the economic feasibility of the asset management approach (that is, whether all Services should manage items as either consumable or reparable, or whether inconsistent management would be appropriate). The Services can save \$1.8 million annually for 17 selected items by consistent asset management. Specifically, the Services could better use \$10.8 million for procurements over the FY 2000 through FY 2005 Future Years Defense Plan by repairing the 17 selected items rather than disposing of assets. By improving communication among the Services, management controls, training, guidance, and management oversight, DoD can enhance the management of jointly used assets.

## **Management Actions**

During the audit, management retrieved assets from DRMOs and the Services, and reduced planned procurements and repairs by \$0.3 million. Furthermore, the NIMMC was revising the Joint Service Regulation to provide disposal and consistent item management guidance.

## **Recommendations, Management Comments, and Audit Response**

**Redirected Recommendation.** As a result of comments from the Joint Logistics Commanders Joint Secretariat, we redirected Recommendation 3. to DLA and the Services.

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<sup>5</sup> Joint Service Regulation, "Wholesale Inventory Management and Logistics Support of Multiservice Used Nonconsumable Items "

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**Reevaluated Potential Monetary Benefits.** As a result of further analysis of the methodology, we adjusted our estimate of the potential monetary benefits over the FY 2000 through FY 2005 Future Years Defense Plan.

**1. We recommend that the Chairman, Nonconsumable Integrated Materiel Management Committee:**

**a. Revise and establish controls to enforce disposal procedures.** The procedures should include steps that Secondary Inventory Control Activities should follow in obtaining Primary Inventory Control Activity disposal authorization. Specifically,

**(1) Advise primary inventory control activities of prospective disposals through e-mail notification or other electronic means.**

**Acting Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management) Comments.** The Acting Assistant Deputy Under Secretary partially concurred, stating that disposal actions should be provided to the PICA but nonconcurred that it should be done via e-mail notification. The e-mail method would be too time-consuming as a long-term solution. The long-term solution is the materiel returns program, which all Services should have fully implemented by FY 2001. The Acting Assistant Deputy Under Secretary stated that, as a short-term solution, SICA item managers are using telephone calls and e-mail notifications to request disposition authorization from the PICA item managers before disposal of assets. Further, at the NIMMC meeting in April 1999, the topic of training on this short-term solution will be addressed.

**Audit Response.** We agree that the materiel returns program can be an effective systemic solution because it will provide asset status electronically from the SICA to the PICA. The use of telephone calls and e-mail notification as an interim or short-term solution and training related to the short-term solution satisfies the intent of this recommendation; and no further action is required.

**(2) Apply the Defense Reutilization and Marketing Service Front End Screening Report in controlling the reutilization and disposal process.**

**Acting Assistant Deputy Under Secretary Comments.** The Acting Assistant Deputy Under Secretary partially concurred, stating that the DRMS Front End Screening is already being utilized systemically, not manually as the report suggests.

**Audit Response.** Comments from the Acting Assistant Deputy Under Secretary were not responsive. The reference to systemic, versus manual, use may indicate a misunderstanding about our finding. We noted in the draft report that item managers either did not receive or did not use the DRMS Front End Screening report. We believe that additional direction should be given to the Services

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emphasizing the need to use the reports to provide control over the reutilization and disposal process. Therefore, we request additional comments in response to the final report.

**b. Revise the Joint Service Regulation to require consistent item management, where economical and safe, including criteria and a process for resolving Service differences.**

**Acting Assistant Deputy Under Secretary Comments.** The Acting Assistant Deputy Under Secretary partially concurred, stating that the draft update of the Joint Service Regulation identifies those items that should and should not be considered for Phase II management and to whom issues should be referred if not resolved. The Acting Assistant Deputy Under Secretary did not provide comments on the potential monetary benefits.

**Audit Response.** Although the Acting Assistant Deputy Under Secretary concurred only in part with the recommendation, we considered the comments responsive because we reviewed the draft update of the Joint Service Regulation and determined that it includes actions that meet the intent of the recommendation. The draft update of the Regulation states that a secondary objective of the item procurement and depot repair specifications review is the establishment of consistent management application by all using Services. The Services that are managing an item as consumable are to review the depot repair specifications established by another using Service to determine whether unserviceable generations of the item should be subject to depot repair. The Regulation further states that the PICA will assign appropriate management level coding based on whether or not the items should be repaired at the depot. We request that the Office of the Deputy Under Secretary of Defense (Logistics) provide comments on the \$10.8 million in potential monetary benefits resulting from the implementation of Recommendation 1.b. in response to the final report.

**c. Oversee inconsistently managed items to verify whether the correct management approach is used.**

**Acting Deputy Under Secretary Comments.** The Acting Assistant Deputy Under Secretary concurred, stating that the NIMMC is responsible for monitoring items, including those that are inconsistently managed, by various nonconsumable item materiel support codes. The Defense Logistics Information Service produces a report each month and provides it to the NIMMC Chairperson. The report is used as a tool to determine where additional analysis needs to be applied.

**2. We recommend that the Deputy Under Secretary of Defense (Logistics) task the Services to:**

**a. Provide training for item managers emphasizing that the primary inventory control activity has sole wholesale disposal authority for multiservice used items.**

**b. Train item managers on the requirement to communicate excess asset quantities to the primary inventory control activity item manager regardless of whether retention or disposal of the assets is planned.**



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**Acting Assistant Deputy Under Secretary Comments.** The Acting Assistant Deputy Under Secretary partially concurred, stating that item managers must be provided training that emphasizes the PICA as the sole wholesale disposal authority for multiservice used items. In addition, item managers need to properly communicate excess assets to the PICA. However, the tasking to the Services will be done by the NIMMC Chairperson to the NIMMC members. The NIMMC Chairperson will address NIMMC members on the topic of training item managers at the April 1999 meeting of the NIMMC. The request for training will be recorded in the minutes of the meeting.

**Audit Response.** The management comments were responsive to the intent of the recommendation.

**3. We recommend that the Defense Logistics Agency and the Services train item managers on the joint total asset visibility tools that are available.**

**Joint Logistics Commanders Joint Secretariat Comments.** The JLC Joint Secretariat nonconcurred with the draft report recommendation that the JLC direct DLA and the Services to perform training. The JLC Joint Secretariat stated that training item managers on JTAV tools is the prerogative of the individual Service or agency head of the organizations assigned item management responsibility, not the JLC as an entity. The JLC Joint Secretariat further stated that the training plan of the JTAV Program Management Office meets the intent of the recommendation. The JTAV Program Management Office is training new users, including item managers, on the JTAV tools during the fielding process. The tools have been fielded in commands outside the continental United States and the first fielding of the tools for item managers in the continental United States is scheduled for the fourth quarter of FY 1999.

**DLA Comments.** The Deputy Director, DLA stated that sharing knowledge of total asset visibility tools is mutually beneficial. DLA will await JLC guidance.

**Audit Response.** We agree that the training by the JTAV Program Management Office on available tools for JTAV capabilities should satisfy the intent of the recommendation when fully implemented. As a result, we have redirected the recommendation to incorporate the JLC Joint Secretariat comments. We request that DLA and the Services provide comments on the redirected recommendation in response to the final report.

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## Appendix A. Audit Process

### Scope and Methodology

We reviewed DoD and Service policies and procedures for coordinating asset transfers between Services, for sending excess assets to DRMS for disposition, and for determining the economic feasibility of the asset management approach. To evaluate the effectiveness of the procedures used in ensuring assets are available to users needing the assets, disposed only when not needed, or managed consistently when appropriate, we visited 12 Army, Navy, Air Force, and Marine Corps inventory control points and 23 DRMOs. At those locations, we interviewed item managers, equipment specialists, budget analysts, and asset disposal experts. We judgmentally sampled 80 of 50,302 consistently managed item disposal transactions to determine whether the SICA obtained PICA disposal authorization and whether the disposed assets could have been used by another DoD user. The judgmental sample consisted of high dollar serviceable items disposed of. We judgmentally sampled 105 of 5,700 DoD items coded in the DLA Federal Logistics Information System as inconsistently managed as of March 31, 1998, and determined whether it was more economical to repair than dispose of the assets. The sample consisted of both low and high dollar items. Detailed sample information is in Appendix C.

**DoD-Wide Corporate Level Goals.** In response to the Government Performance and Results Act, DoD established 6 DoD-wide corporate level performance objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objective and goal.

**Objective:** Fundamentally reengineer DoD and achieve 21st century infrastructure. **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. (DoD-6)

**DoD Functional Area Reform Goals.** Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

**Logistics Functional Area. Objective:** Develop a seamless logistics system. **Goal:** Improve the communication of logistics information (developing and implementing an integrated data environment to expand Electronic Data Interface, and enhance information exchange with DoD, with industry, other government agencies, and with allies). (LOG-2.2)

**Logistics Functional Area. Objective:** Streamline logistics infrastructure. **Goal:** Implement most successful business practices (resulting in reductions of minimally required inventory levels). (LOG-3.1)

**High Risk Area.** The General Accounting Office has identified several high risk areas in DoD. This report provides coverage of the Defense Inventory Management high risk area.

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**Use of Computer-Processed Data.** We selected sample data from the Federal Logistics Information System, Service budget and inventory management systems, and the DRMS Automated Information System without reviewing the systems' general and application controls. Through item manager interviews and supporting documentation reconciliations, we concluded the data were sufficiently reliable to accomplish our objectives.

**Audit Type, Dates, and Standards.** This economy and efficiency audit was conducted from April through November 1998. The audit was conducted in accordance with auditing standards issued by the Comptroller General of the United States, and accordingly, included such tests of management controls as were considered necessary.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available upon request.

## **Management Control Program**

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of Management Controls.** The audit evaluated the adequacy of Service controls over the management of multiservice used assets. Specifically, we evaluated the controls the Services used to identify commonly used excess assets. We also evaluated controls over the disposition process. Finally, we reviewed the controls the Services used to determine the economic feasibility of the asset management approach.

**Adequacy of Management Controls.** The audit identified material management control weaknesses as defined by DoD Directive 5010.38. Management controls were not adequate to ensure the interservice asset management process was effective. Specifically, SICAs disposed or retained assets without PICA knowledge. Also, controls were not adequate to ensure periodic reevaluation of the asset management approach for each item. All recommendations, if implemented, should correct the identified weaknesses. We identified potential monetary benefits of \$10.8 million over the FY 2000 through FY 2005 Future Years Defense Plan in reduced procurements by repairing rather than disposing of assets. A copy of this report will be provided to the senior officials in charge of management controls in the Office of the Secretary of Defense and the Services.

**Adequacy of Management's Self-Evaluation.** The Services' inventory control points did not identify the interservice asset management process as an assessable unit; therefore, they did not identify or report the material management control weaknesses identified by the audit.

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## **Appendix B. Summary of Prior Coverage**

During the past 5 years, the General Accounting Office; the Inspector General, DoD; and the Service audit organizations issued five reports that discussed various elements of multiservice asset management. The reports are listed below.

### **General Accounting Office**

General Accounting Office Report No. NSIAD-94-193 (OSD Case No. 97-19), "Organizational Culture: Use of Training to Help Change DoD Inventory Management Culture," August 1994.

### **Inspector General, DoD**

Inspector General, DoD, Report No. 98-155, "Depot Source of Repair Code," June 15, 1998.

Inspector General, DoD, Report No. 97-168, "Disposal of Serviceable Reparable Assets," June 19, 1997.

### **Naval Audit Service**

Naval Audit Service Report No. 027-97, "Management, Control, and Accounting Procedures for Sponsor Material at Naval Sea Systems Command Warfare Centers," April 11, 1997.

### **Air Force Audit Agency**

Air Force Audit Agency Report No. 95061008, "Items Used or Managed by Other Services," January 26, 1996.

## Appendix C. Sample of Item Disposal Transactions

### Sampling Plan

**Sampling Purposes.** The purposes of judgmental sampling were to provide conclusions about items that were erroneously disposed, erroneously withheld from the Services needing the items, or uneconomically managed.

**Sample Universe.** The sample universe for our judgmental sampling included 50,302 consistently managed item disposal transactions occurring between January 1, 1997 and March 31, 1998, and 5,700 DoD items coded as inconsistently managed as of March 31, 1998. The acquisition value of the disposed reparable inventory was over \$1 billion. Of the 50,302 consistently managed items, 15,210 were serviceable items with an acquisition value of \$286.3 million.

**Sampling Design.** We judgmentally sampled 80 disposal transactions (for serviceable items with an acquisition value of \$10 million) of 50,302 consistently managed items to determine whether the SICA obtained PICA disposal authorization and whether the disposed assets could have been used by another DoD user. The sample consisted of high dollar serviceable items that were disposed of. We also judgmentally sampled 105 disposed items (with an acquisition value of \$11 million) of 5,700 inconsistently managed items to determine whether it was more economical to repair rather than dispose of the assets. This sample contained both low and high dollar items. We also used the sample to identify SICA retention of excess assets when coordinated asset transfers could have occurred. Tables C.1. and C.2. show the sample distributions among the Services.

C.1. Consistently Managed Items

SICA Users	PICA Managers			Total
	Army	Navy	Air Force	
Army	0	0	2	2
Navy	1	0	21	22
Air Force	19	17	0	36
Marine Corps	10	0	0	10
Army/Air Force	0	1	0	1
Air Force/Navy	8	0	0	8
Air Force/Marine Corps	0	1	0	1
<b>Total</b>	<b>38</b>	<b>19</b>	<b>23</b>	<b>80</b>

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### C.2. Inconsistently Managed Items

SICA Users	PICA Managers			Total
	Army	Navy	Air Force	
Army	0	2	0	2
Navy	2	0	53	55
Air Force	3	1	0	4
Marine Corps	21	2	1	24
Army/Navy	0	0	2	2
Army/Navy/Marine Corps	0	0	1	1
Navy/Marine Corps	11	0	1	12
Navy/Air Force	1	0	0	1
Air Force/Marine Corps	2	0	0	2
Navy/Air Force/Marine Corps	2	0	0	2
<b>Total</b>	<b>42</b>	<b>5</b>	<b>58</b>	<b>105</b>

### Sample Results

Because we used judgmental, not statistical sampling techniques, we have not projected our results to the universe of all multiservice used items.

## Appendix D. Inconsistently Managed Sample Items

The following table shows how the Services categorized the 17 inconsistently managed items that we identified.

Stock Number	Nomenclature	Army	Navy	Air Force	Marines
1240010162269	Optical instrument cell assembly	R <sup>1</sup>	-	-	C <sup>2</sup>
2815011085385	Diesel engine cylinder head	R	-	-	C
2835000697490	Compressor impeller	-	C	R	-
2840003050687	Strut	-	C	R	-
2840004049314	Bearing retaining nut	-	C	R	-
2840004327731	Nozzle assembly	-	C	R	-
2840011906884	Seal	-	C	R	-
2840011911895	Turbine rotor blade	-	C	R	-
2849911920855	Compressor blade	-	C	R	-
2840012847729	Compressor vane segment	-	C	R	-
2910012594436	Fuel pump	R	-	-	C
3110012533236	Roller Bearing	-	C	R	-
4320010775269	Rotary pump	R	-	-	C
5855010271554	AN/PVS-4 weapon sight	C	-	-	C/R <sup>3</sup>
5855010343854	AN/PVS-5A night vision goggle	C	C	-	C/R <sup>3</sup>
5855013805096	AN/AVS-6 aviator night vision goggle	C	R	R	C/R <sup>3</sup>
5855013805098	AF/PVS-7B night vision goggle	C	C	C	C/R <sup>3</sup>

<sup>1</sup> R – repairable.

<sup>2</sup> C – consumable.

<sup>3</sup> The Marine Corps wants to repair this item, but the Army PICA will not grant permission.

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## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology  
Deputy Under Secretary of Defense (Logistics)  
Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management)  
Assistant Deputy Under Secretary of Defense (Maintenance, Policy, Programs, and Resources)  
Director, Defense Logistics Studies Information Exchange  
Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Assistant Secretary of Defense (Public Affairs)

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Deputy Chief of Staff (Logistics), Supply and Maintenance Policy  
Commander, Army Materiel Command  
Commander, U.S. Army Aviation and Troop Command  
Commander, U.S. Army Communications and Electronics Command  
Commander, U.S. Army Tank-Automotive Command  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Commander, Naval Supply Systems Command  
Commander, Naval Inventory Control Point  
Director, Dudley Knox Library, Naval Post Graduate School  
Auditor General, Department of the Navy

### **Marine Corps**

Commandant, Marine Corps  
Deputy Chief of Staff for Installations and Logistics  
Commanding General, Marine Corps Logistics Bases



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## **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Deputy Chief of Staff (Logistics), Directorate of Supply  
Commander, Air Force Materiel Command  
Commander, Ogden Air Logistics Center  
Commander, Oklahoma City Air Logistics Center  
Commander, Sacramento Air Logistics Center  
Commander, San Antonio Air Logistics Center  
Commander, Warner Robins Air Logistics Center  
Auditor General, Department of the Air Force

## **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency  
Inspector General, Defense Intelligence Agency

## **Non-Defense Federal Organizations**

Office of Management and Budget  
General Accounting Office  
National Security and International Affairs Division  
Technical Information Center

## **Congressional Committees and Subcommittees, Chairman, and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform  
House Subcommittee on National Security, Veterans Affairs, and International Relations,  
Committee on Government Reform

# Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management) Comments



ACQUISITION AND  
TECHNOLOGY  
(LMDM)

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

06 APR 1999

MEMORANDUM FOR DEPUTY DIRECTOR FOR AUDIT, DODIG

THROUGH: CONGRESSIONAL ACTIONS & INTERNAL REPORTS 424/5

SUBJECT: Comments on OIG Proposed Audit Report Project No. 8LH-5016, "Interservice Availability of Multiservice Used Items," June 15, 1998

This is in response to your draft audit of February 5, 1999, subject as above. DODIG recommendations from this report and our comments are below.

**Recommendation 1.** We recommend that the Chairman, Nonconsumable Integrated Materiel Management Committee:

- a. Revise and establish controls to enforce disposal procedures. The procedures should include steps that Secondary Inventory Control Activities should follow in obtaining Primary Inventory Control Activity disposal authorization. Specifically,
  - (1) Advise primary inventory control activities of prospective disposals through e-mail notification or other electronic means.
  - (2) Apply the Defense Reutilization and Marketing Service Front End Screening Report in controlling the reutilization and disposal process.

**DUSD(L) Response.** Partially concur. While we agree that prospective disposals should be provided to the Primary Inventory Control Activities (PICA), we do not concur that the Nonconsumable Integrated Management Committee (NIMMC) should direct that it be done via it should be done through e-mail notification. This method as a long-term approach would be too time consuming and require resources that are currently not available. The material returns program is already established for the purpose of providing assets to the PICA. Some of the Military Services have not fully implemented the program but are working towards that goal. In the interim, phone calls (and in some cases e-mail notification) are made from the Secondary Inventory Control Activity (SICA) item manager of the to the PICA to get disposition prior to disposal. However, this is a short-term approach until all Services have fully implemented the materiel returns program. All changes required to implement the program should be complete by FY2001. Defense Reutilization and Marketing Service Front End Screening is already being utilized systematically; not manually as the report suggests.



- b. Revise the joint Service regulation to require consistent item management, where economical and safe, including criteria and a process for resolving Service differences

**DUSD(L) Response.** Partially concur. The draft update of the Joint Service Regulation already identifies those items which should be considered for Phase 2 management, which should not, and to whom issues should be referred if not resolved. We agree this should continue but do not agree that the Joint Service Regulation needs further change to incorporate this strategy.

- c. Oversee inconsistently-managed items to verify whether the correct management approach is used.

**DUSD(L) Response.** Concur. The NIMMC is responsible for monitoring items by various NIMSC codes, which includes items that are inconsistently managed. A report is produced each month by Defense Logistics Information Service (DLIS) to the NIMMC Chairperson showing the number items by NIMSC code. This is used as a tool to determine where additional analysis needs to be applied.

**Recommendation 2.** We recommend that the Deputy Under Secretary of Defense (Logistics) task the Services to:

- a. Provide training for item managers emphasizing that the primary inventory control activity has sole wholesale disposal authority for multiservice used items

**DUSD(L) Response.** Partially concur. We agree that item managers must be provided training which emphasizes that the PICA has sole wholesale disposal authority for multiservice used items. However, the request to the Services to do so will be done by the NIMMC Chairperson to the NIMMC members. This topic will be addressed at the NIMMC meeting in April 1999 and will be included as part of the NIMMC minutes for that meeting.

- b. Train item managers on the requirement to communicate excess asset quantities to the primary inventory control activity item manager regardless of whether retention or disposal of the assets is planned.

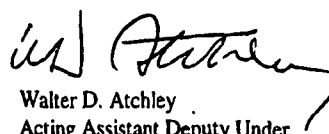
**DUSD(L) Response.** Partially concur. Again we agree with the concept of training the item managers on proper communication of excess assets to the PICA. However, the request to the Services to do so will be done by the NIMMC Chairperson to the NIMMC members. This topic will be addressed at the NIMMC meeting in April 1999 and will be included as part of the NIMMC minutes for the meeting. Also, this training will be on the short-term solution since the long-term solution is the full implementation of the material returns program which will systematically provide the information from the SICA to the PICA.

Redirected

**Recommendation 3.** We recommend that the Joint Logistics Commanders direct the Defense Logistics Agency and the Services to train items managers on the joint total asset visibility tools that are available.

**DUSD(L) Response.** Partially concur. We agree that item managers must be trained on the total asset visibility tools that are available. Direction from the Joint Logistics Commanders is not necessary, at this time, because training will be provided, as necessary, within each of the Services and the Defense Logistics Agency as the Department implements the overall Total Asset Visibility initiative.

My point of contact for this action is Ms. Bennett who can be reached at (703) 695-2207.

  
Walter D. Atchley  
Acting Assistant Deputy Under  
Secretary of Defense (Materiel  
and Distribution Management)

cc:  
NIMMC Members

# Joint Logistics Commanders Joint Secretariat Comments

DEPARTMENT OF THE ARMY  
HEADQUARTERS US ARMY MATERIEL COMMAND  
5001 EISENHOWER AVE., ALEXANDRIA, VA 22333-0001



DEPARTMENT OF THE NAVY  
DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)  
WASHINGTON, DC 20350-2000

DEPARTMENT OF THE NAVY  
MARINE CORPS MATERIEL COMMAND  
ALBANY, GA 31704-1128

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR FORCE MATERIEL COMMAND  
WRIGHT-PATTERSON AFB, OHIO 45433-5001

DEFENSE LOGISTICS AGENCY  
8725 JOHN J. KINGMAN ROAD  
FT. BELVOIR, VA 22060-6221

## JOINT LOGISTICS COMMANDERS

## JOINT SECRETARIAT

2 Apr 99

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE,  
ATTN: OAIG-AUD, 400 ARMY-NAVY DRIVE,  
ARLINGTON, VA 22202-2884

SUBJECT: Audit Report on the Interservice Availability of  
Multiservice Used Items (Project No. 8LH-5016)

1. Reference memorandum, DoDIG, 5 Feb 99, subject as above.
2. Comments on subject report are provided below. Comments are limited to recommendation 3 and portions of those findings pertaining to recommendation 3.

a. Findings pertaining to recommendation 3: "...improvements were needed over multiservice asset management because training, guidance, and management oversight deficiencies existed..." "...331 Service item managers stated that they had not received training on total asset visibility tools that were available. Awareness of asset visibility capability and training is needed to make JTAV viable."

Comment: Concur in findings that the availability of training on the total asset visibility tools will benefit item managers.

SUBJECT: Audit Report on the Interservice Availability of  
Multiservice Used Items (Project No. 8LG-5016)

b. Report recommendation 3: "We recommend that the Joint Logistics Commanders direct the Defense Logistics Agency and the Services train item managers on the joint total asset visibility tools that are available."

Redirected

Comment: Non-concur with recommendation.

(1) The Joint Logistics Commanders (JLC) are a self-chartered, cooperative forum which voluntarily undertakes actions on issues of mutual interest. In this context, the JLC do not collectively accept and direct actions within their respective organizations. As such, implementation of the provisions of this recommendation, "...train item managers...", is the prerogative of the individual Service/Agency head of those organizations assigned item management responsibility, not the JLC as an entity. The JLC has no formal authority to task the item managers.

(2) The JTAV PMO is training new users, including item managers, on how to use the JTAV capability during the JTAV fielding process. Currently, JTAV is fielded in EUCOM, ACOM, CENTCOM, PACOM, and USFK. JTAV PMO has also fielded a Global AMMO asset visibility capability at the Pentagon accessible by AMMO item managers. The first fielding of JTAV tools for use by CONUS item managers is scheduled for 4<sup>th</sup> Qtr FY99. The focus of the training provided by the JTAV PMO is on how to use the JTAV application to assist job performance, rather than training item managers how to do their jobs. We believe the JTAV PMO training plan meets the intent of the DoDIG report recommendation without necessitating the establishment of a separate training requirement.

(3) There should be very little training required other than to ensure that item managers understand the JTAV process. For example, Air Force JTAV lateral redistribution/procurement offset capability is being designed as an automatic process that does not require item managers to intervene. After JTAV financial reimbursement programming is finished and the entire Air Force JTAV lateral redistribution/procurement offset process is fielded, Air Force item managers will not need to look at these other JTAV tools. They will have total asset visibility within the Stock Control System of all AF-managed (Primary

SUBJECT: Audit Report on the Interservice Availability of  
Multiservice Used Items (Project No. 8LG-5016)

Inventory Control Activity) items previously sold to/now located  
at any Secondary Inventory Control Activity service location and  
all JTAV asset movement/proper reimbursement will be automatic.

3. This response has been coordinated with the JLC Joint  
Secretariat.

*Gregory P. McIntosh*  
GREGORY P. MCINTOSH  
AMC Member, Joint Secretariat

CF:  
JLC Joint Secretariat

# Defense Logistics Agency Comments



**DEFENSE LOGISTICS AGENCY**  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO

DDAI

30 March 1999

MEMORANDUM FOR DIRECTOR, READINESS AND LOGISTICS SUPPORT,  
INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on the Interservice Availability of Multiservice Used  
Items (Project No. 8LH-5016)

Enclosed are DLA comments in response to your 5 February 1998 request. If you  
have any questions, please contact Ms. Mimi Schirmacher, DDAI, 767-6263

Encl

  
JEFFREY GOLDSTEIN  
Chief, Internal Review



MAR 26 1999

**SUBJECT:** Interservice Availability of Multiservice Used Items  
(Project No. 8LH-5016)

**FINDING: Multiservice Asset Management.** Although 117 (64 percent) of the 185 items reviewed were properly managed, improvements were needed over multiservice asset management. Improvements were needed because:

- there was a lack of communication between the Services regarding the management of commonly used assets,
- existing controls were ineffective, and
- training, guidance, and management oversight deficiencies existed.

As a result, for 68 of 185 items (valued at \$21 million) reviewed in two judgmental samples, Service personnel inappropriately disposed of \$3.5 million of assets without proper authorization, retained \$1.5 million of excess assets that could have been used by another Service, managed items inconsistently when it was uneconomical to do so, and spent \$5.2 million replacing disposed items that could have been repaired. During the audit, management took actions to reduce planned procurements and repairs by \$0.3 million. However, the Services could better use \$15 million for procurements over the FY 2000 through FY 2005 Future Years Defense Plan by transferring unused inventory between the Services and repairing rather than disposing of assets.

**DLA COMMENTS:** None. The finding relates to service inventory management procedures for repairable items. DLA is not involved in repairable management

**INTERNAL MANAGEMENT CONTROL WEAKNESS:**

- (X) Nonconcur.  
( ) Concur; weakness will be reported in the DLA Annual Statement of Assurance

**RECOMMENDATION 1:** Recommend that the Chairman, Nonconsumable Integrated Materiel Management Committee:

- a. Revise and establish controls to enforce disposal procedures. The procedures should include steps that Secondary Inventory Control Activities should follow in obtaining Primary Inventory Control Activity disposal authorization. Specifically,
  - (1) Advise primary inventory control activities of prospective disposals through e-mail notification or other electronic means.

- (2) Apply the Defense Reutilization and Marketing Service Front End Screening Report in controlling the reutilization and disposal process.
- b. Revise the joint Service regulation to require consistent item management, where economical and safe, including criteria and a process for resolving Service differences.
  - c. Oversee inconsistently managed items to verify whether the correct management approach is used.

**DLA COMMENTS:** None. See previous comments.

**DISPOSITION:**

- ( ) Action is ongoing. ECD:
- (X) Action is complete.

**RECOMMENDATION 2:** Recommend that the Deputy Under Secretary of Defense (Logistics) task the Services to:

- a. Provide training for item managers emphasizing that the primary inventory control activity has sole wholesale disposal authority for multiservice used items.
- b. Train item managers on the requirement to communicate excess asset quantities to the primary inventory control activity item manager regardless of whether retention or disposal of the assets is planned.

**DLA COMMENTS:** None. The recommendation pertains to service managed assets

**DISPOSITION:**

- ( ) Action is ongoing. ECD:
- (X) Action is complete

**Final Report  
Reference**

Redirected

**RECOMMENDATION 3:** Recommend that the Joint Logistics Commanders direct the Defense Logistics Agency and the Services to train item managers on the joint total asset visibility tools that are available.

**DLA COMMENTS:** Sharing knowledge of total asset visibility tools is mutually beneficial. DLA will await JLC guidance.

**DISPOSITION:**

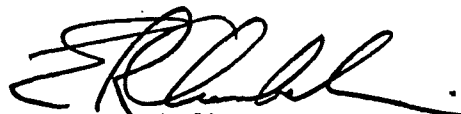
- ☐ Action is ongoing. ECD:
- ☒ Action is complete.

**ACTION OFFICER:** R. W. Tomasik, DLSC-LDD, (703) 767-1632

**REVIEW/APPROVAL:** Walter B. Bergmann, II, Executive Director, Logistics  
Management (DLSC-L)

**COORDINATION:** Mimi Schirmacher, DDAI

**DLA APPROVAL:**

  
E. R. Chamberlin  
Rear Admiral, SC, USN  
Deputy Director

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**ADDED COMMENT:**

Request that the word "inspect" be changed to "examine" on line 11 of page 2 of the report. Rationale: inspect implies a technical review, which DRMOs do not perform.

## **Audit Team Members**

The Air Force Audit Agency managed this joint audit and the following team members made significant contributions to the report.

Stanley Borek  
Anthony Broadnax  
Oliver Coleman  
Al Enslin  
Karen Escobedo  
Chris Hake  
Steve Houlette  
Barry Johnson  
Direnda LaFlam  
Frank Lazenka  
Andrea Newsome  
Jim Nowicki  
Patricia Remington  
Oscar San Mateo  
Tilghman Schrader  
Raymond Van Horn, Jr  
Shelton Young

Air Force Audit Agency  
Defense Logistics Agency  
Defense Logistics Agency  
Naval Audit Service  
Army Audit Agency  
Air Force Audit Agency  
Air Force Audit Agency  
Inspector General, DoD  
Air Force Audit Agency  
Naval Audit Service  
Air Force Audit Agency  
Army Audit Agency  
Army Audit Agency  
Inspector General, DoD  
Inspector General, DoD  
Air Force Audit Agency  
Inspector General, DoD